

MINUTES OF MEETING OF BOARD OF DIRECTORS
July 29, 2009

THE STATE OF TEXAS
COUNTY OF HARRIS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 186

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 186 (the "District") met in special session, open to the public, at the offices of Fulbright & Jaworski L.L.P., 1301 McKinney, Suite 5100, Houston, Texas, at 12:00 p.m. on July 29, 2009; whereupon the roll was called of the members of the Board, to wit:

Gary Henderson, President
Mark Day, Vice President
Carol Barnes, Secretary
Leonard Fojt, Treasurer
Charles Bumpass, Assistant Secretary

All members of the Board were present except Director Fojt. Also attending all or parts of the meeting were Ms. Michelle Guerrero of Bob Leared Interests ("BLI"), tax assessor and collector for the District; Mr. Tony Sarman of AECOM, Inc., engineers for the District; Mr. Chris Hoffman of H2O Consulting ("H2O"), operator for the District; Ms. Lori Hogue of Myrtle Cruz, Inc., bookkeeper for the District; and Ms. Jana Cogburn and Ms. Nancy Green of Fulbright & Jaworski L.L.P. ("F&J"), attorneys for the District.

The meeting was called to order and, in accordance with notice posted pursuant to law, copies of Certificates of Posting of which are attached hereto as Exhibit "A," the following business was transacted:

1. **Minutes.** Consideration was given to the approval of the minutes of the meeting of June 16, 2009, previously distributed to the Board. Upon motion by Director Day, seconded by Director Bumpass, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of June 16, 2009, as presented.

2. **Tax Assessor and Collector's Report.** Ms. Guerrero presented to and reviewed with the Board the Tax Assessor and Collector's Report, a copy of which is attached hereto as Exhibit "B." Ms. Guerrero reported that 97.79% of the District's 2008 taxes have been collected. Ms. Guerrero reported that the agreement by Cottage School Systems ("CSS") to pay the District on a payment plan has not been honored and requested the Board's approval to file a lawsuit for 2007 and 2008. In response to a question, Ms. Cogburn explained how delinquent tax attorney fees are charged. Upon motion by Director Barnes, seconded by Director Day, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the delinquent tax attorney (Purdue, Fielder, Collins and Mott, P.L.L.C.) to proceed with the suit against CSS, to approve the Tax Assessor and Collector's Report, and to authorize payment of check nos. 1061 through 1067 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

3. **Bookkeeper's and Investment Report.** The President recognized Ms. Hogue, who presented to and reviewed with the Board the Bookkeeper's Report, the budget for the fiscal year ending June 30, 2009, the budget for the fiscal year ending February 28, 2010, and the Investment Report, copies of which are attached hereto as Exhibit "C." Upon motion by Director Bumpass, seconded by Director Day, after full discussion and the question being put to the Board, the Board voted unanimously to accept the Bookkeeper's Report, to authorize payment of check nos. 6305 through 6329 from the Operating Account, each in the amounts, to the persons, and for the purposes described in the Bookkeeper's Report and to approve the Investment Report.

4. **Consider and approve Addendum to the Bookkeeper's Contract.** Ms. Hogue requested the Board's approval of an Addendum to the Bookkeeper's Contract which increases the base fee of the contract by \$100 per month for additional costs related to investment transactions and reports. Extensive discussion ensued. Upon motion by Director Bumpass, seconded by Director Day, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of the Addendum to the Bookkeeper's Contract.

5. **Operations Report.** Mr. Hoffman presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "D." Mr. Hoffman reported that the District pumped 7,943,000 gallons of water and purchased 22,336,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that the District has 115,862,000 gallons and five months remaining on its Harris-Galveston Coastal Subsidence District ("HGCSA") Permit. Mr. Hoffman reported that H2O accounted for 91.3% of the water pumped and purchased by the District in June 2009.

Mr. Hoffman presented to and reviewed with the Board the Maintenance Summary, a copy of which is attached to the Operations Report. Mr. Hoffman reported on the water plant maintenance and stated that the painters have completed all of the exterior piping and that all the tanks are back into service. Mr. Hoffman reported that the final painting cost is \$7,104.38.

Mr. Hoffman reported that the annual inspection on the cathodic protection system is complete at a final cost of \$1,641.86.

Mr. Hoffman reported that the semi-annual well testing reports are attached to the Operations Report. Mr. Hoffman noted that the submergence levels are good and the water level is above the pump. Mr. Hoffman stated that the final cost of the semi-annual well test was \$987.86.

Mr. Hoffman reported that H2O reset the well control levels due to high demand in the system at a final cost of \$1,035.29.

Mr. Hoffman reported that H2O repaired the well #2 gate and installed new pickets at a final cost of \$1,048.29.

Mr. Hoffman reported on the lift station maintenance and stated that the 40 kw generator has been ordered and H2O is working on the gas meter installation.

Mr. Hoffman reported on the water line maintenance and stated that a fire hydrant near Highway 6 and FM 529 was repaired because the unit would not shut off. Mr. Hoffman reported that the final cost of the repair was \$1,086.05.

Mr. Hoffman reported that the 12-inch water main at 7506 Highway 6 (“Xpress Lube”) broke on Sunday, June 30, 2009. Mr. Hoffman stated that H2O installed a repair clamp to temporarily repair the line and to get the water back to businesses. Mr. Hoffman stated that due to the irregularity of the pipe, H2O was unable to prevent the clamp from leaking. Mr. Hoffman reported that a new section of pipe was installed during after-hours and a section of the parking lot was re-poured at an estimated cost of \$12,000.

Mr. Hoffman reported on sewer line maintenance and stated that the point repairs are complete and the slip line segments are being installed. Mr. Hoffman noted that an invoice should be submitted next month at an estimated cost of \$103,000.

Mr. Hoffman reported that the District’s Five Year Forecast (with two scenarios) is attached to the Operations Report. Director Henderson reported that he prepared a review of District expenses for the past four years, a copy of which is attached hereto as Exhibit “E.” Director Henderson requested that the Board review both assessments for discussion at the August meeting. The Board discussed the increase in water rates from the West Harris County Regional Water Authority. Discussion ensued regarding the best way to notify residents of cost increases. Ms. Cogburn suggested that the District could notify their residents on the District website or by a newsletter.

Mr. Hoffman reviewed with the Board the Water Quality Complaint Log.

6. **Engineer’s Report.** Mr. Sarman reviewed with the Board the Engineer’s Report, a copy of which is attached hereto as Exhibit “F.” Mr. Sarman requested that the Board approve the -\$627.80 change order for repairing the chlorine line at the well #1 header. Mr. Sarman stated that AECOM prepared the final progress payment in the amount of \$34,672.20. Mr. Sarman stated that the final progress payment includes adjustments for both change orders and it addresses that the generator was not recoated. Mr. Sarman stated that instead of the generator being recoated, the contractor blasted and recoated the generator skids and surface prepped and recoated the bollards at the water plant.

Mr. Sarman reported on the flooding at the water plant and noted that contour maps based on 2001 and 2008 data are attached to the Engineer’s Report. Mr. Sarman reported that based on the information regarding the 2001 water surface elevations listed in the Engineer Report, the ditch did not exceed its banks. Mr. Sarman reported that placing backflow prevention valves on the storm sewer should help reduce the risk of flooding at the water plant by preventing the water from entering through the storm sewers. Mr. Sarman stated that once the water exceeds the banks of the ditch, flooding could still be possible. The Board discussed placing berms on each side of the plant and adding a pump to the control room to pump out water. In response to a question, Mr. Sarman estimated that the backflow prevention device would cost \$8,000 to \$9,000. Director Henderson requested that Mr. Sarman provide more information on the backflow prevention device. Discussion ensued. Mr. Sarman reported that the estimated cost for AECOM to survey the area is approximately \$4,000 to \$5,000. Upon

motion by Director Henderson, seconded by Director Bumpass, after full discussion and the question being put to the Board, the Board voted unanimously to approve the ditch survey by AECOM for approximately \$4,000 to \$5,000.

Director Day left the meeting at this time.

Mr. Sarman reported on the proposed looped waterline and stated that AECOM has surveyed the area along the proposed waterline route. Mr. Sarman reported that it appears to be more feasible to place the waterline between the curb and the sanitary sewer within the right-of-way than within the 10-foot building setback (due to other utilities and the proximity to the sanitary sewers). Mr. Sarman noted that AECOM anticipates that the waterline will need to be encased since it is unlikely that a nine-foot separation will be able to be maintained. Mr. Sarman requested the Board's approval to begin preparing the drawings for signatures. Mr. Sarman reported that the estimated cost of the lines and links is \$40,000. Mr. Sarman reported that the initial cost to prepare the drawings is \$5,000. Upon motion by Director Bumpass, seconded by Director Barnes, after full discussion and the question being put to the Board, the Board voted unanimously to approve AECOM's preparation of the drawings at an initial cost of \$5,000 and to approve the construction of the lines and links if the estimated cost is less than \$50,000.

Mr. Sarman reported that AECOM met with H2O on July 21, 2009 to discuss the direction on the control panel replacement. Mr. Sarman stated that AECOM is working on the estimate for replacing the control panel and will present it to the Board next month.

Mr. Sarman reported that the generator bill, SB 361, has been signed by the Governor. Mr. Sarman reported that the emergency preparedness plan is to be submitted to the TCEQ by March 1, 2010 and implemented by July 1, 2010. Mr. Sarman reported that a copy of SB 361 is attached to the Engineer's Report.

7. Discuss selling water plant generator to Harris County Municipal Utility District No. 208 and purchasing new generators for the lift station and water plant. The Board reviewed the generator cost estimates, copies of which are attached to the Engineer's Report. Director Henderson noted that he is interested in purchasing a separate generator and would like AECOM to research used generators. Director Bumpass requested that Mr. Sarman provide prices for both a 450 kw and a 325 kw used generator for the Board to review.

8. Review issues relating to Copperfield Joint Operations Board ("CJOB") meeting. Director Henderson reported that CJOB discussions focused on the second failure of the fathead minnow survival test for the June, 2009 biomonitoring compliance test. Director Henderson noted that the Plant is required to perform a toxicity reduction evaluation (TRE") to determine the cause of the failure. Director Henderson stated that representatives from Alan Plummer Associates, Inc. ("APA") and both Bio-Aquatic Testing and Envirnodyne Laboratories, Inc. attended the meeting and answered questions. Director Henderson stated that APA indicated the possibility exists that the Texas Commission on Environmental Quality ("TCEQ") could cancel the TRE in two months to one year if subsequent testing indicates that the previous test failures were a fluke. Director Henderson reported that the Sewage Treatment Plant is allowed to run screen tests without reporting the test results to the TCEQ if the tests do not follow TCEQ protocol. Director Henderson noted that H2O and AECOM identified areas in

the Plant that needed to be cleaned before the screen sample was obtained. Director Henderson stated that CJOB requested AECOM to research anomalies at the Plant. Mr. Hoffman stated that bacteria in the dechlorination chamber may have contributed to the failed tests.

9. **Discuss CJOB Five-Year Forecast.** This item was deferred.

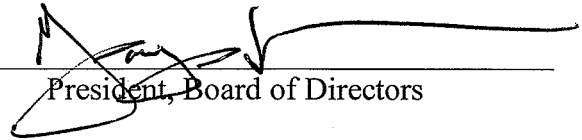
THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

*

*

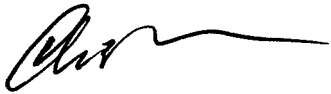
*

The foregoing minutes were passed and approved by the Board of Directors on August 18, 2009.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

